

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name WOODLANDS LIBRARY COOPERATIVE	County CALHOUN
Fiscal Year End 9/30/06	Opinion Date 10/24/06	Date Audit Report Submitted to State 11/13/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

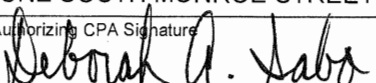
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) COOLEY HEHL WOHLGAMUTH & CARLTON, PLLC		Telephone Number 734-241-7200	
Street Address ONE SOUTH MONROE STREET		City MONROE	State MI
		Zip 48161	
Authorizing CPA Signature 		Printed Name DEBORAH A. SABO	License Number 1101025211

**WOODLANDS LIBRARY COOPERATIVE**  
Albion, Michigan

**ANNUAL FINANCIAL REPORT**  
2006 and 2005

# WOODLANDS LIBRARY COOPERATIVE

## ANNUAL FINANCIAL REPORT

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COOLEY HEHL  
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### Independent Auditor's Report

Board of Directors  
Woodlands Library Cooperative  
Albion, Michigan 49224

We have audited the accompanying financial statements of Woodlands Library Cooperative as of and for the years ended September 30, 2006 and 2005, which collectively comprise the Cooperative's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Cooperative's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of Woodlands Library Cooperative as of September 30, 2006 and 2005, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2006, on our consideration of Woodlands Library Cooperative's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 4-7 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Directors  
Woodlands Library Cooperative

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Woodlands Library Cooperative's basic financial statements. The schedules listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of Woodlands Library Cooperative. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

*Cooley Hehl Wohlgamuth & Carlton*

October 24, 2006



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Independent Auditor's Report on Internal Control  
Over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance  
with *Government Auditing Standards*

Board of Directors  
Woodlands Library Cooperative  
Albion, Michigan 49224

We have audited the basic financial statements of Woodlands Library Cooperative as of and for the years ended September 30, 2006 and 2005, which collectively comprise the Woodlands Library Cooperative's basic financial statements, and have issued our report thereon dated October 26, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Woodlands Library Cooperative's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Woodlands Library Cooperative's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and the Library of Michigan and is not intended and should not be used by anyone other than these specified parties.

Cooley Hehl Wohlgamuth & Carlton

October 24, 2006

## WOODLANDS LIBRARY COOPERATIVE

### *Management's Discussion and Analysis* *Years Ended September 30, 2006 and 2005*

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#### **Using this Annual Report**

This annual report consists of the *Independent Auditor's Reports*, the *Management's Discussion and Analysis* (this section), the *basic financial statements and other supplemental information*. The basic financial statements also include notes that explain some of the information in the financial statements and provides more detailed data. The statements are followed by a section of *other supplemental information* that further explains and supports the information in the financial statements.

#### **Required Financial Statements**

The Cooperative's financial statements report information using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about their activities. The statement of Net Assets includes all of the Cooperative's assets and liabilities. This statement provides information about the nature of the assets and the obligations of the Cooperative. In addition, this statement provides the basis for evaluating the capital structure of the Cooperative and assessing the liquidity and financial flexibility of the Cooperative.

All of the revenues and expenses for the current year are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures how well the Cooperative covered the costs for services during the past year. The final required financial statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to the origins of income, the uses, and the changes in the cash balance during the reporting period.

#### **Condensed Financial Information**

Table I below compares key financial information of the Cooperative's Statement of Net Assets.

**Table I:**

#### **Condensed Statement of Net Assets** **September 30** (in thousands)

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Total Current Assets	\$435.6	\$434.3	\$421.5
Net Capital Assets	<u>6.6</u>	<u>13.0</u>	<u>19.4</u>
Total Assets	442.2	447.3	440.9
Total Current Liabilities	<u>7.9</u>	<u>8.9</u>	<u>8.7</u>
Invested in Capital Assets	6.6	13.0	19.4
Unrestricted Assets	<u>427.6</u>	<u>425.4</u>	<u>412.8</u>
Total Net Assets	<u>\$434.3</u>	<u>\$438.4</u>	<u>\$432.2</u>

## WOODLANDS LIBRARY COOPERATIVE

### *Management's Discussion and Analysis Years Ended September 30, 2006 and 2005*

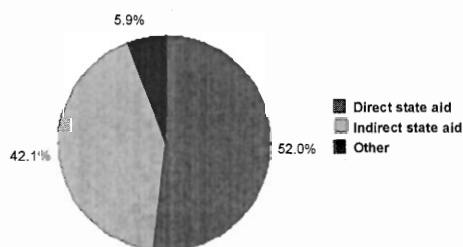
#### **Condensed Financial Information (Concluded)**

The Cooperative's net assets decreased by \$4,123 this year compared to the \$6,169 increase in the prior year. The primary reason was a decrease in State Aid to member libraries. State Aid accounts for 94% of Woodlands income. While the Cooperative's State Aid was held harmless, public library members' State Aid was reduced by \$38,008.

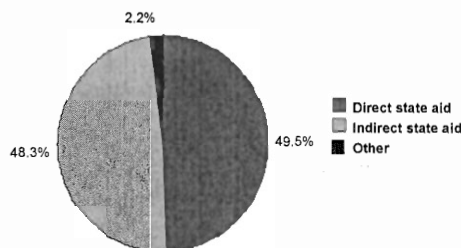
Cooperative members determined in 2005, that they wanted to maintain the current level of services and use reserve funds to cover any deficit over the next two years. The Cooperative formed a task force to study the benefits and negatives of using the statewide ILL system (MeLCat) in order to save money. The Governing Board at its September 21<sup>st</sup> meeting approved the task forces recommendation to move to MeLCat in the fall of 2007. The reason for the delay in joining MeLCat was to allow member libraries time to upgrade their automation system and install broadband Internet access with statistic IP address. This change will reduce Cooperative expenses by an estimated \$65,000 starting in 2008; however, member libraries will have higher local costs using MeLCat.

Table II and the pie charts below compare key financial information of the Cooperative's Statement of Revenues, Expenses, and Changes in Net Assets.

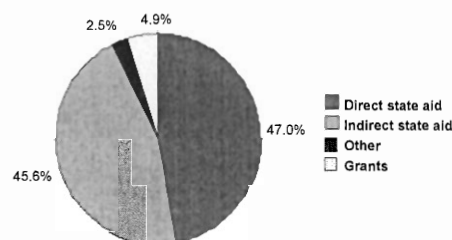
**2006  
Operating Revenues**



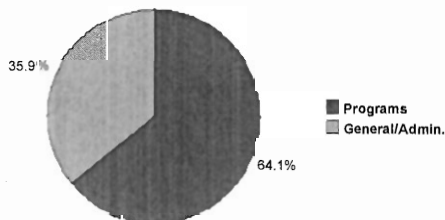
**2005  
Operating Revenues**



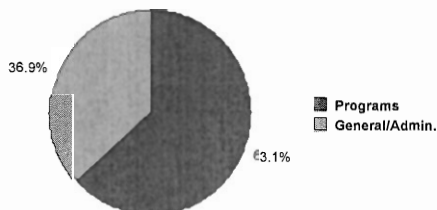
**2004  
Operating Revenues**



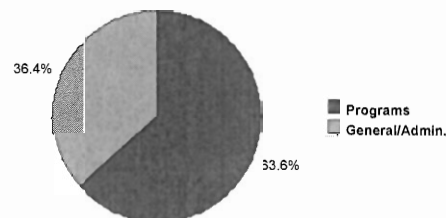
**2006  
Operating Expenses**



**2005  
Operating Expenses**



**2004  
Operating Expenses**





## WOODLANDS LIBRARY COOPERATIVE

*Management's Discussion and Analysis*  
*Years Ended September 30, 2006 and 2005*

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**Table II:**

**Changes in Net Assets**  
**Year Ended September 30**  
(in thousands)

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Operating Revenues	\$431.4	\$469.6	\$496.5
Operating Expenses	<u>451.6</u>	<u>471.1</u>	<u>449.7</u>
Operating Income	(20.2)	(1.5)	46.8
Net Nonoperating Revenues	<u>16.1</u>	<u>7.7</u>	<u>2.2</u>
Changes in Net Assets	(4.1)	6.2	49.0
Beginning Net Assets	<u>438.4</u>	<u>432.2</u>	<u>383.2</u>
Ending Net Assets	<u>\$434.3</u>	<u>\$438.4</u>	<u>\$432.2</u>

The Cooperative operates with one fund, an enterprise fund on a full accrual basis of accounting similar to private sector companies. The Cooperative's primary source of revenue is from direct and indirect state aid. Direct state aid accounts for 52%, while indirect state aid paid by member libraries account for 42%. State aid accounts for 94% of Woodland's income. These percentages are different than previous years because the State reduced State Aid to public libraries while holding cooperatives harmless. Interest revenue doubled over last year as rates increased.

Expenses for resource sharing, technology, advocacy, continuing education, and support services decreased by 2.7% over 2004-05 to 64%, while general and administrative costs decreased 6.6% over 2004-2005 to 36%. Salary costs decreased \$4,151. Woodlands had 27 pay periods in 2005.

### **Capital Assets and Debt Administration**

There were no capital asset additions or retirements during the fiscal year. The depreciation expense for the year was \$6,385.

The Cooperative does not have any debt obligations.

### **Budgetary Highlights**

Over the course of the year, the Governing Board amended the budget to take into account events that occurred during the year. Budgeted revenues were increased from \$438,778 to \$442,181 due to an increase in interest revenue. The budget for state aid payments from the State decreased 8% from 2005.

State aid is paid in two payments of 50%. The timing of the second payment is late in the fiscal year resulting in the Cooperative using its capital reserve to fund monthly bills for eight months of the year.

## WOODLANDS LIBRARY COOPERATIVE

### *Management's Discussion and Analysis Years Ended September 30, 2006 and 2005*

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#### **Budgetary Highlights - Concluded**

Budgeted expenses were \$451,292 and \$473,789 for 2006 and 2005 respectively. Switching to the statewide delivery system decreased delivery expenses by \$5,479. General and administrative expenses decreased by \$11,452 through lower salaries, health care costs, and no retreat costs.

#### **Economic Factors and Next Year's Budgetary Highlights**

State aid revenue for 2006-07 is based on \$1.18 cents per capita, 21% below the \$1.50 cents cap. State Aid payments are again split equally into three parts (cooperative's decreased from 43.5 to 39.46 cents per capita, while members libraries increased from 35.9 cents to 39.46 cents per capita). State Aid remains an unstable funding source for Cooperatives based on the State of Michigan's budget crisis. Funding in future years could be even more dire with the elimination of the Single Business tax and school funding ballot proposal. These two changes could reduce the State's General Fund revenue over one billion dollars resulting in even lower State Aid funding in future years.

The Library of Michigan developed Quality Services Audit Checklist requirements for Cooperatives in 2005. Woodlands achieved the Enhanced level in August 2006. However, to achieve the Excellent level, state aid funding will either have to be increased or current services reduced to fund QSAC requirements.

The Cooperative will change Interlibrary Loan systems in the fall of 2007. We will move from a vendor based system (Auto-Graphics Agent) to Michigan's statewide MeLCat ILL system. The change saves an estimated \$65,000 per year for the Cooperative starting in 2007. Changing ILL and delivery from Cooperative run services to statewide services will impact how Woodlands provides its core services. Woodlands will have to redefine its core services and priorities.

The Library of Michigan is also looking at core services provided by Cooperatives. Core services will most likely be defined by the State versus members in the future.

#### **Contacting the Cooperative's Financial Management**

This financial report is designed to provide the Cooperative's citizens, taxpayers, customers, and creditors with a general overview of the Cooperative's finances. If you have any questions about this report or need additional financial information, contact the Woodlands Library Cooperative, 415 South Superior, Suite A, Albion, MI 49224-2135.

**WOODLANDS LIBRARY COOPERATIVE***Statements of Net Assets  
September 30, 2006 and 2005*

	2006	2005
<b>Assets</b>		
Current Assets:		
Cash	\$400,265	\$401,872
Accounts receivable	2,372	0
Prepaid expenses	32,931	32,384
Total Current Assets	435,568	434,256
Capital Assets:		
Office equipment	30,111	30,111
Furniture and fixtures	5,204	5,204
Other equipment	30,046	30,046
	65,361	65,361
Less: Allowance for depreciation	58,746	52,361
Total Capital Assets	6,615	13,000
Total Assets	442,183	447,256
<b>Liabilities</b>		
Current Liabilities:		
Due to other governmental units	0	143
Due to video consortium	0	1,326
Other liabilities	7,935	7,416
Total Liabilities	7,935	8,885
<b>Net Assets</b>		
Invested in capital assets	6,615	13,000
Unrestricted	427,633	425,371
Total Net Assets	\$434,248	\$438,371

See accompanying notes to the basic financial statements.

**WOODLANDS LIBRARY COOPERATIVE***Statements of Revenues, Expenses, and Changes in Net Assets  
For the Years Ended September 30, 2006 and 2005*

	2006	2005
<b>Operating Revenues</b>		
State Aid to Cooperative	\$232,386	\$232,652
State Aid from Members	188,684	226,692
Other	10,366	10,277
Total Operating Revenues	431,436	469,621
<b>Operating Expenses</b>		
Programs:		
Interloan and reference	68,584	71,178
Delivery	88,107	93,586
Union database	128,345	128,345
Periodical purchasing	4,200	4,200
	289,236	297,309
General and administrative	162,415	173,867
Total Operating Expenses	451,651	471,176
Net Operating Income (Loss)	(20,215)	(1,555)
<b>Nonoperating Revenues (Expenses)</b>		
Interest	16,092	7,724
<b>Change in Net Assets</b>	(4,123)	6,169
Net Assets - Beginning of Year	438,371	432,202
Net Assets - End of Year	\$434,248	\$438,371

See accompanying notes to the basic financial statements.

# WOODLANDS LIBRARY COOPERATIVE

## *Statements of Cash Flows* *For the Years Ended September 30, 2006 and 2005*

	2006	2005
<b>Cash Flows from Operating Activities:</b>		
Receipts from State and members	\$427,595	\$470,148
Payments to suppliers	(357,156)	(384,423)
Payments to employees	(88,138)	(92,289)
Net Cash Provided (Used) by Operating Activities	(17,699)	(6,564)
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Acquisition of capital assets	0	0
<b>Cash Flows from Investing Activities:</b>		
Interest	16,092	7,724
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(1,607)	1,160
Cash and Cash Equivalents - Beginning of Year	401,872	400,712
Cash and Cash Equivalents - End of Year	\$400,265	\$401,872
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
Operating Income (Loss)	(\$20,215)	(\$1,555)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	6,385	6,445
Changes in assets and liabilities:		
(Increase) Decrease in assets:		
Accounts receivable	(2,372)	250
Prepaid expenses	(547)	(11,867)
Increase (Decrease) in liabilities:		
Due to other governments	(143)	0
Due to video consortium	(1,326)	277
Other liabilities	519	(114)
Total Adjustments	(3,869)	(11,454)
Total cash provided by operating activities	(\$17,699)	(\$6,564)

There were no noncash investing and financing transactions for the years ending September 30, 2006 and 2005.

See accompanying notes to the basic financial statements.

# WOODLANDS LIBRARY COOPERATIVE

## *Notes to Financial Statements* *Years Ended September 30, 2006 and 2005*

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### Note 1      Purpose

The financial statements of the Cooperative include all accounts controlled by or dependent on the Cooperative board. The purpose of Woodlands Library Cooperative is to: (1) extend and improve access to library services and materials for each child, youth, and adult of the Cooperative region appropriate to his or her informational and recreational needs; (2) improve and strengthen resources and services of member libraries; (3) encourage continued growth and development of library services to the citizens of the State of Michigan.

### Note 2      Authority

The establishment of the Cooperative is based on Public Act 89 of 1977.

### Note 3      Summary of Significant Accounting Policies

The accounting policies of the Cooperative conform to accounting principles generally accepted in the United States of America applicable to governments. The financial activities of the Cooperative are recorded within one fund, categorized and described as an enterprise fund. This enterprise fund reports operations that provide services which are financed primarily by direct and indirect state aid.

Significant accounting policies followed by Woodlands Library Cooperative are described below to enhance the usefulness of the financial statements to the reader:

#### a) Basis of Accounting

The Cooperative's financial statements are prepared on the accrual basis of accounting; consequently, revenues are recognized when they are earned and expenses are recognized when they are incurred. Operating revenues are charges for all exchange transactions for services which include direct state aid and indirect state aid. Operating expenses are all the costs necessary to provide services and conduct programs. General and administrative costs are also operating expenses. Nonoperating revenues represent revenue sources that are primarily non-exchange in nature such as interest.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

#### b) Capital Assets

Items capitalized are valued at cost and depreciated by the straight-line method over the estimated useful lives of the assets. The Cooperative maintains a capitalization threshold of one thousand dollars.

Depreciation expense was \$6,385 for 2005-06 and \$6,445 for 2004-05. The following estimated lives were used to determine the depreciation expense for the periods ending September 30, 2006 and 2005:

Office Equipment	5 years
Furniture	10 years
Other Equipment	3-5 years

#### c) Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, Woodlands Library Cooperative considers cash and petty cash as cash and cash equivalents.

## WOODLANDS LIBRARY COOPERATIVE

### *Notes to Financial Statements* *Years Ended September 30, 2006 and 2005*

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Note 3      Summary of Significant Accounting Policies (Concluded)

d) Governmental Accounting Standards Board

In accordance with GASB Statement 20, the Cooperative has elected not to apply the FASB statements and interpretations issued after November 30, 1989, to its financial statements.

Note 4      Deposits With Financial Institutions

Statutes authorize Woodlands Library Cooperative to invest in obligations of the U.S. Treasury, agencies, and instrumentalities; commercial paper within the three highest rate classifications by at least two rating services; banker's acceptances of U.S. bank repurchase agreements; savings accounts and certificates of deposit with banks and savings and loan associations, or credit unions which are insured with the applicable federal agency.

Public Act 367 of 1982 (known as the Surplus Funds Investment Pool Act) enables municipalities to invest surplus operating funds in investment pools managed by qualified financial institutions. At September 30, 2006, Woodlands Library Cooperative had invested in such a fund with a local bank. The Cooperative is able to retrieve these funds without restriction and, accordingly, this amount is considered to be available cash. The local bank invests these funds in a variety of instruments including bonds and direct obligations of the United States, certificates of deposit, commercial paper rated within the three highest classifications by not less than two standard rating services, United States government or federal agency obligation repurchase agreements and bankers acceptances of the United States banks.

The Cooperative believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, and since State of Michigan legislation does not require that all deposits be collateralized, it is impractical to insure all bank deposits. As a result, the Cooperative evaluates each financial institution with which it deposits Cooperative funds and assesses the level of risk at each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The Board of Directors has adopted an investment policy authorizing certain types of investments and authorized the depositories: National City Bank and Homestead Savings Bank. The carrying amount of deposits is displayed on the balance sheet as cash.

*Interest rate risk.* The Cooperative's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit risk.* The Cooperative will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities listed in the Cooperative's investment policy.

*Concentration of credit risk.* The Cooperative does not place any limits on the amount the Cooperative may deposit or invest in any one issuer.

# WOODLANDS LIBRARY COOPERATIVE

## Notes to Financial Statements Years Ended September 30, 2006 and 2005

### Note 4 Deposits With Financial Institutions (Concluded)

*Custodial credit risk.* Custodial credit risk for deposits is the risk that in the event of a bank failure, the Cooperative's deposits may not be returned or the Cooperative will not be able to recover the collateral securities in the possession of an outside party. The Cooperative has \$400,265 and \$401,872 for 2006 and 2005 respectively invested in checking accounts and money markets. The Cooperative's deposits are insured by the FDIC in the amount of \$12,265 and \$12,202 for 2006 and 2005 respectively, with uninsured deposits of \$407,000 and \$420,000 for 2006 and 2005 respectively. The Cooperative's deposits are at institutions with an established record of fiscal health and service. The Cooperative Board approves and designates a list of authorized depository institutions. The Cooperative's investment policy does not address deposit risk.

*Foreign currency risk.* The Cooperative is not authorized to invest in investments which have this type of risk.

### Note 5 Capital Assets

Capital asset activity for the year ended September 30, 2006 was as follows:

	Balance at October 1, 2005	Additions	Retirements	Balance at September 30, 2006
Capital assets being depreciated:				
Office equipment	\$30,111	\$0	\$0	\$30,111
Furniture and fixtures	5,204	0	0	5,204
Other equipment	30,046	0	0	30,046
Totals at historical cost	65,361	0	0	65,361
Less accumulated depreciation:				
Office equipment	(5,204)	0	0	(5,204)
Furniture and fixtures	(25,131)	(1,777)	0	(26,908)
Other equipment	(22,026)	(4,608)	0	(26,634)
Total accumulated depreciation	(52,361)	(6,385)	0	(58,746)
Net capital assets	\$13,000	(\$6,385)	\$0	\$6,615

### Note 6 State Aid to Cooperative

The State granted aid directly to library cooperatives based on a rate per capita of \$0.435 for 2005-06 and \$0.435 for 2004-05.

### Note 7 State Aid from Members

The State granted aid to public libraries belonging to a cooperative to purchase services which are provided by the cooperative. The rate per capita of \$0.361 for 2005-06 and \$0.435 for 2004-05 was based on the "qualified" populations in the service areas of the public libraries.



## WOODLANDS LIBRARY COOPERATIVE

### *Notes to Financial Statements* *Years Ended September 30, 2006 and 2005*

#### Note 8

##### Expenses

The Cooperative incurred the following expenses to member libraries during the fiscal year ended September 30, 2006 and 2005 for contracted services, projects and grants:

<u>Payee</u>	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>
Monroe County Library System	\$154,862	\$168,695
Lenawee County Library	12,560	12,565
Van Buren Library	10,654	10,654
Branch County Library	7,506	7,808
Delton District Library	0	7,689
Southwest Library Cooperative	0	22,625
Michigan Library Consortium	<u>37,275</u>	<u>300</u>
	<u>\$222,857</u>	<u>\$228,336</u>

#### Note 9

##### Compensated Absences

Woodlands Library Cooperative does accrue vacation pay for its employees as of the year end. The amount of unused vacation pay was \$7,935 and \$7,416 as of September 30, 2006 and 2005, respectively.

#### Note 10

##### Pension Plan

The Cooperative provides a defined contribution pension benefit plan for employees who are at least 21 years old and have completed one year of service. The plan is through Ameriprise Financial and was effective October 1, 1994. The Cooperative contributes 10% of the employee's wages to the plan and they are 100% vested immediately. Employees are not required to contribute to the plan. The costs for the fiscal years ending September 30, 2006 and 2005, were \$8,814 and \$9,097, respectively. For the fiscal year ending September 30, 2006, the covered payroll was \$88,138 out of a total payroll of \$90,780. For the fiscal year ending September 30, 2005, the covered payroll was \$91,180 out of a total payroll of \$94,940.

## WOODLANDS LIBRARY COOPERATIVE

### *Schedules of General and Administrative Expenses* *September 30, 2006 and 2005*

	2006	2005
Salaries	\$88,138	\$92,289
Board members	1,489	2,295
Payroll taxes	6,945	7,263
Employee benefits	19,561	20,614
Pension	8,814	9,097
Workers' compensation	415	438
Postage	816	618
Office supplies	800	2,262
Office internet	500	500
Periodicals	172	179
Contracted services	3,200	3,200
Professional services	4,140	4,520
Memberships	1,139	914
Telephone	1,399	1,328
Travel	3,772	4,613
Printing	280	0
General insurance	534	455
Repair and maintenance	532	1,920
Office rent	8,400	8,400
Training	4,106	1,602
Retreat	0	4,343
Bank charges	475	572
Professional collection	287	0
Member purchasing	116	0
Depreciation	6,385	6,445
	<u>\$162,415</u>	<u>\$173,867</u>



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Certified Public Accountants

Board of Directors  
Woodlands Library Cooperative  
Albion, Michigan 49224

Our audit of the financial statements of the Woodlands Library Cooperative for fiscal year ended September 30, 2006 was made in accordance with auditing standards generally accepted in the United States of America. These standards require, in addition to obtaining competent evidential matter through inspection, observation, inquiry, and confirmation, that we determine that existing internal controls, accounting procedures, and accounting records are adequate to allow us to express an opinion on the financial statements of the Cooperative.

As a result of our audit, we do not have any comments or recommendations that should be brought to the attention of the Board.

We wish to express our appreciation for the continuing cooperation and courtesy extended to us by all employees of the Cooperative.

Very truly yours,

*Cooley Hehl Wohlgamuth & Carlton*

October 24, 2006